



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	SB0252	Title:	Revise K-12 funding laws related to oil and natural gas production taxes
Primary Sponsor:	Jones, Llew	Status:	As Introduced

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|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$718,761	\$736,232	\$749,479	\$773,466
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$718,761)</u>	<u>(\$736,232)</u>	<u>(\$749,479)</u>	<u>(\$773,466)</u>

Description of fiscal impact: SB 252 allows school districts receiving oil and natural gas production tax revenue to budget and allocate the revenue in any budgeted fund of the district. The bill is anticipated to increase the general fund cost for guaranteed tax base aid by \$1,454,993 in the 2017 biennium.

FISCAL ANALYSIS

Assumptions:

- The oil and natural gas production tax revenues (ONGPTR) are projected to fluctuate over the next two biennia. The following table shows the growth factors in HJ 2 for FY 2016 and FY 2017, and the Office of Budget and Program Planning estimated changes in FY 2018 and FY 2019.

	FY 2016	FY 2017	FY 2018	FY 2019
Anticipated Oil & Natural Gas Production Tax Growth	-4.84%	2.27%	-0.60%	4.50%

- Under current law, school districts are required to anticipate general fund revenue of at least 25% of the previous year's ONGPTR with exemptions for certain districts. SB 252 removes these requirements and exemptions. FY 2014 data is the most recent school year for which district revenue from ONGPTR is available. FY 2015 budget data is the most recent budget data available. The following table shows the

actual and estimated revenue and actual and estimated budget data available for ONGPTR received by school districts. Actual data is shown in bold.

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Actual-All funds	\$37,438,242	\$32,530,088	\$30,955,632	\$31,658,325	\$31,468,375	\$32,884,452
Budgeted Current Law	\$9,662,569	\$10,990,582	\$10,458,638	\$10,696,049	\$10,631,873	\$11,110,307
Budgeted -SB 252	\$9,662,569	\$10,990,582	\$7,913,219	\$5,697,518	\$4,102,213	\$2,953,593
Difference CL & SB 252			\$2,545,419	\$4,998,531	\$6,529,660	\$8,156,714

3. In FY 2015, 125 school districts are expected to receive ONGPTR and 95 of these school districts also receive guaranteed tax base aid (GTB).
4. The GTB calculation for school districts is determined, in part, by the amount of non-levy revenue the district anticipates it will receive in the budget year. Oil and natural gas production taxes are one source of non-levy revenue school districts receive. When a GTB-eligible district underestimates non-levy revenue, the district receives more GTB aid than if the district had accurately estimated its revenue.
5. Data related to schools and budgeting ONGPTR is shown in the following table.

	FY 2012	FY 2013	FY 2014	FY 2015
# of school districts that budgeted ONGPTR revenue in district general fund	120	122	71	69
# of school districts that did not budget ONGPTR in district general fund but did receive ONGPTR	3	3	54	N/A
# of schools that received ONGPTR	123	125	125	N/A
# of schools that estimated 25% or more ONGPTR	76	105	40	N/A

6. From FY 2012 to FY 2015, nine school districts made a practice of budgeting enough ONGPTR in the district general fund budget to eliminate mill levies. This fiscal note assumes that these districts would continue to keep their general fund mills at zero.
7. SB 252 exempts certain school districts from having to budget at least 25% of the prior year ONGPTR in the district general fund. Following are the allowable exemptions:
 - Maximum general fund budget less than \$1 million;
 - General fund budget plus ONGPTR is less than or equal to 105% of maximum general fund budget;
 - Maximum general fund budget is greater than or equal to \$1 million and an anticipated enrollment increase was approved in the prior year by OPI; and
 - Outstanding oil and natural gas revenue bonds (new in SB 175, 2013 Session).
8. In FY 2014, 54 districts took advantage of one or more of the exemptions and budgeted no ONGPTR to the school district general fund.
9. It is assumed that another 31 districts, that have made a practice of budgeting 25% or less of their prior year ONGPTR in the school district general fund, would estimate no ONGPTR in response to SB 252.
10. There are 407 operating school districts in Montana. Only 125 school districts receive ONGPTR, 54 of those districts do not currently estimate ONGPTR and under SB 252 it is estimated that an additional 31 districts would not estimate ONGPTR in their district general fund budget. It is projected that 40 districts may continue to estimate some amount of ONGPTR. The following table shows the potential GTB impact:

	FY 2016	FY 2017	FY 2018	FY 2019
Guaranteed Tax Base Aid	\$718,761	\$736,232	\$749,479	\$773,466

11. If all districts receiving ONGPTR where to budget no ONGPTR to the school district general fund the GTB increase would be:

	FY 2016	FY 2017	FY 2018	FY 2019
Guaranteed Tax Base Aid	\$1,987,195	\$2,049,542	\$2,101,179	\$2,187,291

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Local Assistance (GTB)	\$718,761	\$736,232	\$749,479	\$773,466
TOTAL Expenditures	\$718,761	\$736,232	\$749,479	\$773,466
<u>Funding of Expenditures:</u>				
General Fund (01)	\$718,761	\$736,232	\$749,479	\$773,466
TOTAL Funding of Exp.	\$718,761	\$736,232	\$749,479	\$773,466
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$718,761)	(\$736,232)	(\$749,479)	(\$773,466)

Effect on County or Other Local Revenues or Expenditures:

1. It is estimated that local property taxes could increase by \$2.7 million in FY 2016 and \$2.8 million in FY 2017 as result of SB 252 because school districts would have to levy to pay the difference of ONGPTR not included as non-levy revenue in the school district general fund budget.

Sponsor's Initials

Date

Budget Director's Initials

Date